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Manufacturing Investment Statistics

Capital Appropriations

Second Quarter 1980

and

Capital Investment and Supply Conditions

July 1980

THE CONFERENCE BOARD, INC.
845 Third Avenue
New York, N.Y. 10022

STATISTICAL REFERENCE INDEX
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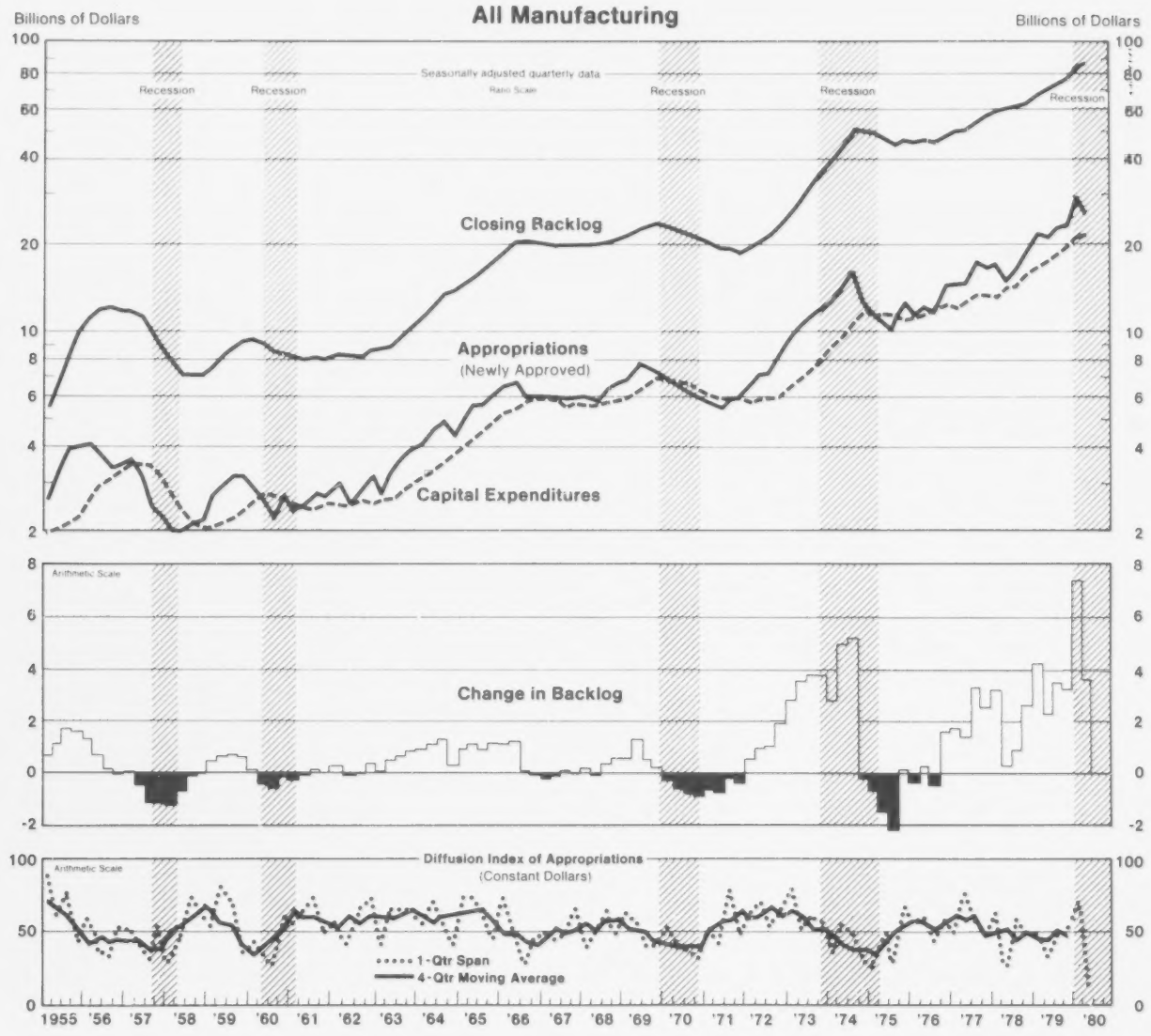
THE CONFERENCE BOARD

CAPITAL APPROPRIATIONS IN RECESSION AND EXPANSION



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The Conference Board

Quarterly Survey of Capital Appropriations

Second Quarter 1980

Capital appropriations of the nation's 1,000 largest manufacturers dropped 12.7% in the second quarter of 1980, following a very large increase in the first quarter (26.7%). The 1,000 companies' capital spending was about unchanged in the second quarter (up 0.6%), following a relatively large rise in the first quarter (8.4%). Although appropriations fell, they were still well above the spending pace in the quarter, and there was consequently a rise in the backlog of appropriated but unspent funds.

The second-quarter weakness of appropriations and spending was almost certainly due in part to caution in the face of recession. But to some extent, the weakness was probably just an offsetting reaction to the first-quarter surge. A suggestion that the recession's impact has not yet been especially great is offered by the fact that the responding companies' expectations for full-year 1980 appropriations and spending strengthened between spring and summer. *The midyear expectations suggest that appropriations will drop a bit further in the second half, although the 1980 total will be well above 1979 due to the big rise in this year's first quarter.* Spending will rise a bit in the second half if the full-year expectation is realized, and the unspent backlog will also rise—which is unusual in a recession. Durable goods industries, as usual, are hit harder by the recession than nondurables, and the 1980 strength in capital appropriations and spending is in the nondurables sector.

Developments in the Second Quarter

Total appropriations dropped 12.7% in the second quarter to $25.8 billion (seasonally adjusted). Appropriations rose 29% in the petroleum industry, fell 12.5% in the rest of nondurables, and fell 33.3% in the durable goods sector. Appropriations dropped in every durables industry except instruments (up slightly) and the declines were generally large. They exceeded 30% in steel, nonelectrical machinery, motor vehicles, other transportation equipment, stone-clay-glass, and the miscellaneous durables industries. However, the largest durable goods industry, electrical equipment, posted only a small drop in appropriations and this mitigated the overall decline. Nonetheless, total durables appropriations in the second quarter were only $9.6 billion, the lowest since 1978-III.

Petroleum appropriations are volatile but the 29% rise in the second quarter was unusually large and came on the heels of an even bigger rise in the first quarter. The food industry also showed a very big increase (32.5%) in the second quarter, but this followed a sizable first-quarter drop. In the other nondurables industries, appropriations declined in the second quarter; the drop exceeded 30% in textiles, paper, and miscellaneous nondurables.

The big appropriations rise in the first quarter had been a surprise, since the economy was moving into recession and interest rates were escalating toward the quarter's end. There is generally a spurt in capital investment activity as the economy reaches a business cycle peak, but the first-quarter appropriations increase seemed larger than could be accounted for by this factor. The

second-quarter appropriations decline did not entirely offset the previous rise. That is, appropriations in the second quarter were higher than in the fourth quarter. However, this outcome was a result of the big second-quarter rise in appropriations of the giant petroleum industry. Excluding petroleum, second-quarter appropriations were more than $1 billion below the fourth quarter.

Cancellations and adjustments of appropriations totaled $711 million in the second quarter, a normal amount. Net appropriations were thus $25.0 billion, down 12.8% from the first quarter. Capital spending by the 1,000 companies totaled $21.4 billion in the second quarter, up only 0.6% from the first. Outlays fell in most durables industries but in nondurables declines were in the minority and were relatively small. With spending continuing to run below net new appropriations, the backlog of unspent funds grew by $3.6 billion.

Revision of Data

The regular annual recalculation of seasonal adjustment factors has resulted in revision of the seasonally adjusted data for 1979. The revised seasonal factors contributed to the downward revision of first-quarter 1980 appropriations but the inclusion of data from companies late in reporting for the quarter was also important. The revised estimate of first-quarter appropriations is 3.2% below the preliminary estimate published three months ago. First-quarter spending has been revised down 2.2%.

Prospects for 1980

In 1979, appropriations rose 32% and spending 25%. As of January 1980, expectations were for appropriations to drop 8% this year and spending to rise 13%. *Expectations were revised up after the first quarter and again after the second, and now point to full-year gains of 17% in appropriations and 21% in spending (table 4).* The upward revisions have generally been in petroleum and other nondurables industries, not durables. Although the 1980 expectations show a sharp slowdown of appropriations growth from the 1979 pace, as would be expected in a recession, the indicated 17% rise is nevertheless large by historical standards. Of course, inflation is a more potent force boosting appropriations now than it was historically. Capital spending is also boosted by inflation, but in addition it is a "lagging" series that continues to rise after the economy has begun to contract. Thus the expected 21% rise in spending this year is rather less surprising than the 17% expected in appropriations.

The durable goods industries, always more vulnerable to recession than soft goods, expect their aggregate appropriations to drop 7% in 1980 (compared with a 31% rise in 1979) and their spending to rise only 12% (compared with 33% in 1979). But the nondurables industries expect faster growth this year than last in both appropriations (39% vs. 33%) and spending (30% vs. 19%). Five industries expect faster 1980 growth of both appropriations and spending: food, chemicals, petroleum, miscellaneous nondurables, and nonferrous metals. Eight expect slower 1980 growth in both categories: paper, steel, nonelectrical machinery, motor vehicles, stone-clay-glass, fabricated metals, instruments, and miscellaneous durables.

Of course, it remains to be seen whether the expectations are fulfilled. With respect to spending, this would require exceptionally large gains in the second half of 1980 in a number of industries.

Lora S. Collins

TABLE 1. PERCENT CHANGES IN CAPITAL APPROPRIATIONS AND EXPENDITURES

Seasonally Adjusted Data in Current and Constant (1972) Dollars

	Current Dollars				Constant Dollars			
	III-79 to IV-79	IV-79 to I-80	I-80 to II-80	II-79 to II-80	III-79 to IV-79	IV-79 to I-80	I-80 to II-80	II-79 to II-80
				—APPROPRIATIONS—				
ALL MANUFACTURING	2.6	26.7	—12.7	21.5	2.0	23.6	—13.3	14.5
ALL MFG. EX PETROLEUM	5.1	24.6	—25.9	— 0.5	4.5	21.0	—26.9	— 6.8
DURABLE GOODS	9.4	25.7	—33.3	— 9.4	9.2	21.7	—34.5	—15.4
Primary iron & steel	11.4	6.1	—56.6	—53.4	10.2	5.2	—57.8	—56.9
Primary nonferrous metals	—26.5	215.2	—10.2	90.0	—27.4	207.7	—11.8	75.6
Electrical machinery & equipment	23.4	8.0	— 3.6	23.4	23.3	4.5	— 4.6	15.0
Nonelectrical machinery	—22.0	70.0	—37.3	—27.5	—21.0	64.2	—39.7	—32.2
Motor vehicles & equipment	81.8	—20.9	—41.7	—19.9	84.0	—24.8	—41.6	—25.1
Other transportation equipment	— 4.7	65.6	—57.0	—31.0	— 7.9	65.6	—59.2	—35.8
Stone, clay & glass	8.5	49.9	—56.6	—37.8	7.4	48.1	—57.5	—41.4
Fabricated metals	35.9	—35.6	—13.6	—37.1	33.8	—36.8	—15.0	—41.5
Instruments & photo equipment	9.9	—18.0	3.2	0.3	8.7	—18.1	— 0.2	— 8.3
Other durable goods†	—25.6	78.6	—34.1	99.8	—26.0	66.2	—32.3	99.2
NONDURABLE GOODS	— 3.2	27.7	7.0	52.6	— 4.4	25.5	7.4	45.1
Food & beverages	22.6	—18.4	32.5	60.5	20.8	—18.7	30.5	51.6
Textiles	65.5	—27.0	—37.8	—48.5	66.8	—28.3	—40.3	—52.5
Paper & allied products	—33.1	147.7	—61.2	—49.8	—33.5	141.9	—62.2	—53.4
Chemicals & allied products	— 7.5	12.8	— 0.6	23.2	— 8.1	11.0	— 2.7	16.3
Petroleum & coal products	— 5.0	34.2	29.0	103.1	— 6.2	32.9	31.1	96.7
Rubber products	—42.4	51.3	—11.5	—15.1	—42.0	47.5	—12.0	—19.7
Other nondurable goods†	12.0	78.8	—33.7	81.3	7.2	64.7	—27.3	71.1
				—EXPENDITURES—				
ALL MANUFACTURING	5.0	8.4	0.6	22.0	4.3	6.0	— 0.4	15.2
ALL MFG. EX PETROLEUM	4.1	7.5	0.9	21.8	3.6	4.7	— 0.9	14.2
DURABLE GOODS	6.0	6.9	— 1.0	22.2	5.8	3.9	— 3.2	14.2
Primary iron & steel	23.4	2.8	— 8.9	38.3	22.1	1.9	—11.4	28.2
Primary nonferrous metals	14.4	1.7	20.5	45.8	13.0	— 0.8	18.4	35.3
Electrical machinery & equipment	5.6	4.4	9.8	35.6	5.6	1.0	8.6	26.5
Nonelectrical machinery	4.4	0.5	4.2	19.1	5.7	— 2.9	0.3	11.2
Motor vehicles & equipment	— 0.2	2.4	—11.1	7.2	1.0	— 2.6	—11.0	0.3
Other transportation equipment	8.9	31.5	— 4.9	54.7	5.2	31.5	— 9.8	44.1
Stone, clay & glass	11.7	— 1.1	— 3.9	0.7	10.6	— 2.3	— 5.8	— 5.4
Fabricated metals	1.2	11.8	— 9.0	— 0.2	— 0.4	9.8	—10.5	— 7.1
Instruments & photo equipment	5.0	12.9	— 4.0	10.5	3.9	12.7	— 7.3	1.1
Other durable goods†	— 6.0	26.6	— 5.3	16.9	— 6.5	17.8	— 2.7	16.5
NONDURABLE GOODS	4.1	9.8	2.1	21.8	2.8	8.1	2.2	16.1
Food & beverages	— 4.6	17.5	3.5	28.7	— 6.0	17.1	2.0	21.5
Textiles	—15.9	18.3	15.0	25.6	—15.3	16.2	10.3	16.2
Paper & allied products	— 0.1	12.1	— 2.0	19.4	— 0.8	9.5	— 4.6	10.8
Chemicals & allied products	7.8	3.4	1.9	17.2	7.2	1.7	— 0.3	10.6
Petroleum & coal products	8.3	11.4	— 0.4	22.5	6.9	10.3	1.2	18.6
Rubber products	—11.6	1.4	— 2.7	—11.0	—11.0	— 1.2	— 3.1	—15.9
Other nondurable goods†	— 1.8	5.0	27.2	39.5	— 6.0	— 3.2	39.4	31.5

See General Notes on page 7.

TABLE 2. CAPITAL APPROPRIATIONS AND EXPENDITURES

Seasonally Adjusted Quarterly Data in Millions of Current and Constant (1972) Dollars

	Current Dollars				Constant (1972) Dollars			
	III-79	IV-79	I-80	II-80	III-79	IV-79	I-80	II-80
ALL MANUFACTURING								
Opening backlog	69,950	73,446	76,662	84,086	70,816	72,847	74,718	78,893
Newly approved	22,688	23,279	29,503	25,761	13,256	13,519	16,710	14,480
Canceled	485	416	783	711	280	235	440	399
Capital expenditure	18,707	19,647	21,296	21,426	10,945	11,414	12,095	12,047
Closing backlog	73,446	76,662	84,086	87,710	72,847	74,718	78,893	80,927
DURABLE GOODS								
Opening backlog	35,841	37,162	39,000	42,524	35,697	36,477	37,565	39,574
Newly approved	10,488	11,470	14,420	9,625	6,214	6,786	8,262	5,409
Canceled	68	—15	580	275	40	—9	326	152
Capital expenditure	9,099	9,647	10,316	10,213	5,394	5,707	5,927	5,740
Closing backlog	37,162	39,000	42,524	41,661	36,477	37,565	39,574	39,090
Primary iron & steel								
Opening backlog	4,389	4,409	4,452	4,378	5,690	5,702	5,727	5,684
Newly approved	824	918	974	423	493	544	572	241
Canceled	—9	—128	17	4	—5	—76	10	2
Capital expenditure	813	1,003	1,031	939	487	594	605	536
Closing backlog	4,409	4,452	4,378	3,858	5,702	5,727	5,684	5,387
Primary nonferrous metals								
Opening backlog	2,938	3,059	2,934	3,629	3,298	3,369	3,296	3,692
Newly approved	528	388	1,223	1,098	311	226	695	613
Canceled	—9	37	44	153	—5	22	25	85
Capital expenditure	416	476	484	583	245	277	275	326
Closing backlog	3,059	2,934	3,629	3,991	3,369	3,296	3,692	3,894
Electrical machinery & equipment								
Opening backlog	3,259	3,308	3,641	4,026	3,719	3,748	3,945	4,165
Newly approved	1,368	1,688	1,823	1,758	809	998	1,042	994
Canceled	44	8	32	6	26	5	18	3
Capital expenditure	1,275	1,347	1,406	1,544	754	796	804	873
Closing backlog	3,308	3,641	4,026	4,234	3,748	3,945	4,165	4,282
Nonelectrical machinery								
Opening backlog	7,100	7,394	6,979	7,802	6,223	6,397	6,148	6,625
Newly approved	2,514	1,962	3,335	2,091	1,490	1,177	1,932	1,166
Canceled	—25	33	157	29	—15	20	91	16
Capital expenditure	2,245	2,344	2,355	2,454	1,330	1,406	1,364	1,368
Closing backlog	7,394	6,979	7,802	7,410	6,397	6,148	6,625	6,406
Motor vehicles & equipment								
Opening backlog	8,463	8,610	10,113	10,979	7,172	7,259	8,157	8,649
Newly approved	1,606	2,920	2,309	1,347	948	1,745	1,313	766
Canceled	27	—12	—20	10	16	—7	—11	6
Capital expenditure	1,432	1,429	1,463	1,301	846	854	832	740
Closing backlog	8,610	10,113	10,979	11,015	7,259	8,157	8,649	8,669
Other transportation equipment								
Opening backlog	2,684	2,937	3,062	3,503	2,340	2,489	2,561	2,813
Newly approved	987	941	1,558	670	584	538	891	363
Canceled	—10	6	52	71	—6	3	30	38
Capital expenditure	744	810	1,065	1,013	440	463	609	549
Closing backlog	2,937	3,062	3,503	3,089	2,489	2,561	2,813	2,588
Stone, clay & glass								
Opening backlog	2,499	2,431	2,347	2,557	2,495	2,454	2,404	2,528
Newly approved	519	563	844	366	312	335	496	211
Canceled	14	7	1	8	8	4	1	5
Capital expenditure	573	640	633	608	345	381	372	350
Closing backlog	2,431	2,347	2,557	2,307	2,454	2,404	2,528	2,384
Fabricated metals								
Opening backlog	1,576	1,518	1,607	1,489	1,610	1,575	1,627	1,559
Newly approved	370	503	324	280	221	296	187	159
Canceled	27	8	—12	—50	16	5	—7	—28
Capital expenditure	401	406	454	413	240	239	263	235
Closing backlog	1,518	1,607	1,489	1,406	1,575	1,627	1,559	1,512

TABLE 2. CAPITAL APPROPRIATIONS AND EXPENDITURES (continued)

	Current Dollars				Constant (1972) Dollars			
	III-79	IV-79	I-80	II-80	III-79	IV-79	I-80	II-80
Instruments & photo equipment								
Opening backlog	1,130	1,281	1,468	1,434	1,200	1,289	1,398	1,378
Newly approved	758	833	683	705	446	485	397	396
Canceled	22	32	24	47	13	19	14	26
Capital expenditure	585	614	693	665	344	358	403	374
Closing backlog	1,281	1,468	1,434	1,427	1,289	1,398	1,378	1,374
Other durable goods†								
Opening backlog	1,803	2,215	2,397	2,727	1,952	2,195	2,302	2,483
Newly approved	1,014	754	1,347	887	599	443	736	498
Canceled	—13	—6	285	—3	—8	—4	156	—2
Capital expenditure	615	578	732	693	363	340	400	389
Closing backlog	2,215	2,397	2,727	2,924	2,195	2,302	2,483	2,593
NONDURABLE GOODS								
Opening backlog	34,109	36,284	37,662	41,562	35,118	36,370	37,153	39,319
Newly approved	12,200	11,809	15,083	16,136	7,043	6,733	8,448	9,071
Canceled	417	431	203	436	239	244	114	247
Capital expenditure	9,608	10,000	10,980	11,213	5,551	5,707	6,168	6,307
Closing backlog	36,284	37,662	41,562	46,049	36,370	37,153	39,319	41,837
Food & beverages								
Opening backlog	4,258	4,455	5,069	5,025	4,170	4,286	4,640	4,615
Newly approved	1,589	1,948	1,590	2,107	930	1,124	914	1,193
Canceled	49	53	129	328	29	31	74	186
Capital expenditure	1,343	1,281	1,505	1,558	786	739	865	882
Closing backlog	4,455	5,069	5,025	5,246	4,286	4,640	4,615	4,740
Textiles								
Opening backlog	585	573	720	751	706	699	786	804
Newly approved	206	341	249	155	121	201	144	86
Canceled	4	14	5	7	2	8	3	4
Capital expenditure	214	180	213	245	125	106	123	136
Closing backlog	573	720	751	654	699	786	804	750
Paper & allied products								
Opening backlog	4,163	4,331	4,166	4,905	3,939	4,040	3,942	4,371
Newly approved	959	642	1,590	617	575	382	925	349
Canceled	—1	16	—36	61	—1	10	—21	35
Capital expenditure	792	791	887	869	475	471	516	492
Closing backlog	4,331	4,166	4,905	4,592	4,040	3,942	4,371	4,194
Chemicals & allied products								
Opening backlog	7,739	8,267	8,450	8,939	8,358	8,666	8,772	9,052
Newly approved	2,974	2,750	3,103	3,084	1,736	1,596	1,771	1,723
Canceled	108	46	8	55	63	27	5	31
Capital expenditure	2,338	2,521	2,606	2,655	1,364	1,463	1,487	1,483
Closing backlog	8,267	8,450	8,939	9,313	8,666	8,772	9,052	9,260
Petroleum and coal products								
Opening backlog	14,382	15,539	16,009	17,977	15,018	15,671	15,933	17,020
Newly approved	5,551	5,275	7,078	9,133	3,136	2,941	3,908	5,123
Canceled	230	297	88	—5	130	166	49	—3
Capital expenditure	4,164	4,508	5,022	5,003	2,352	2,514	2,773	2,806
Closing backlog	15,539	16,009	17,977	22,112	15,671	15,933	17,020	19,339
Rubber products								
Opening backlog	918	994	944	1,011	1,043	1,088	1,058	1,097
Newly approved	328	189	286	253	195	113	167	147
Canceled	1	17	—6	13	1	10	—3	8
Capital expenditure	251	222	225	219	149	133	131	127
Closing backlog	994	944	1,011	1,032	1,088	1,058	1,097	1,110
Other nondurable goods†								
Opening backlog	2,064	2,125	2,304	2,954	1,884	1,920	2,022	2,361
Newly approved	593	664	1,187	787	351	376	619	450
Canceled	26	—12	15	—23	15	—7	8	—13
Capital expenditure	506	497	522	664	299	281	272	380
Closing backlog	2,125	2,304	2,954	3,100	1,920	2,022	2,361	2,444

See General Notes on page 7.

TABLE 3. PROPORTION OF APPROPRIATIONS FOR PLANT

Percent

	78-II	78-III	78-IV	79-I	79-II	79-III	79-IV	80-I	80-II
ALL MANUFACTURING	24	24	24	21	24	21	21	23	20
DURABLE GOODS	23	25	25	20	24	19	17	19	21
Primary iron and steel	19	12	15	13	9	13	15	8	12
Primary nonferrous metals	35	38	26	25	22	22	24	25	23
Electrical machinery & equipment	22	31	24	18	19	20	16	22	17
Nonelectrical machinery	16	21	23	20	29	19	8	15	24
Motor vehicles & equipment	14	12	13	30	17	21	10	25	14
Other transportation equipment	32	34	17	27	44	20	34	22	38
Stone, clay & glass	12	14	32	14	12	10	12	7	7
Fabricated metals	13	17	12	11	14	13	18	16	14
Instruments & photo equipment	51	37	52	11	10	23	24	13	20
Other durable goods	32	67	77	62	64	21	19	45	20
NONDURABLE GOODS	25	22	22	24	24	23	25	28	18
Food & beverages	19	24	18	25	26	26	29	19	16
Textiles	18	22	16	16	25	26	17	15	26
Paper & allied products	47	12	19	12	15	12	12	13	16
Chemicals & allied products	22	20	29	24	34	28	26	23	23
Rubber products	16	4	15	13	11	18	10	12	4
Other nondurable goods	23	35	17	39	19	20	39	68	11

Based on data from those companies that report appropriations for plant and equipment separately. The composition of this group varies slightly from quarter to quarter. Petroleum industry is excluded. Historical data from 1959 available on request.

See also General Notes on page 7.

TABLE 4. PERCENT CHANGE IN CAPITAL APPROPRIATIONS AND EXPENDITURES: 1979 ACTUAL AND 1980 EXPECTED*

	Appropriations		Expenditures	
	1979	1980	1979	1980
All Manufacturing	32	17	25	21
All Manufacturing except Petroleum	33	10	28	19
Durable goods	31	—7	33	12
Nondurable goods	33	39	19	30
Petroleum	29	41	16	27
Other	36	38	20	32

*Based on survey respondents' own expectations.

See also General Notes on page 7.

TABLE 5. CAPITAL APPROPRIATIONS AND EXPENDITURES, ANNUAL TOTALS
In Millions of Current and Constant (1972) Dollars

	Current Dollars				Constant (1972) Dollars			
	1976	1977	1978	1979	1976	1977	1978	1979
				—APPROPRIATIONS—				
ALL MANUFACTURING	50,034	63,420	67,156	88,519	36,525	43,659	43,149	52,503
ALL MFG. EX. PETROLEUM	38,803	45,893	52,014	68,993	28,505	31,819	33,549	41,325
DURABLE GOODS	22,365	26,644	33,089	43,339	16,427	18,512	21,316	26,035
Primary iron & steel	2,897	2,516	3,083	3,559	2,127	1,741	1,993	2,166
Primary nonferrous metals	1,723	1,979	1,381	1,941	1,268	1,356	883	1,161
Electrical machinery & equipment	2,853	3,189	4,421	5,859	2,095	2,209	2,849	3,528
Nonelectrical machinery	5,001	5,105	6,306	10,236	3,662	3,558	4,091	6,170
Motor vehicles & equipment	3,517	5,268	6,981	8,129	2,591	3,684	4,542	4,887
Other transportation equipment	1,253	1,864	2,911	3,817	918	1,294	1,860	2,250
Stone, clay & glass	1,220	1,943	2,311	2,367	901	1,354	1,497	1,442
Fabricated metals	1,150	1,104	1,625	1,846	847	768	1,055	1,120
Instruments & photo equipment	1,057	1,448	2,162	2,925	774	1,000	1,350	1,760
Other durable goods†	1,694	2,228	1,908	2,660	1,245	1,548	1,195	1,551
NONDURABLE GOODS	27,669	36,776	34,067	45,180	20,098	25,146	21,833	26,468
Food & beverages	3,834	4,966	4,898	6,640	2,807	3,438	3,167	3,940
Textiles	903	838	853	960	667	582	554	574
Paper & allied products	1,585	2,648	2,795	3,979	1,172	1,829	1,798	2,429
Chemicals & allied products	7,906	7,854	7,759	10,725	5,800	5,417	5,017	6,352
Petroleum & coal products	11,231	17,527	15,142	19,526	8,020	11,839	9,600	11,178
Rubber products	676	862	1,035	1,057	502	600	677	643
Other nondurable goods†	1,534	2,081	1,585	2,293	1,131	1,441	1,021	1,352
				—EXPENDITURES—				
ALL MANUFACTURING	47,055	52,498	58,356	73,126	34,318	36,158	37,439	43,318
ALL MFG. EX. PETROLEUM	34,504	38,148	43,861	56,250	25,341	26,444	28,263	33,646
DURABLE GOODS	19,046	22,120	26,414	35,230	13,975	15,363	16,999	21,130
Primary iron & steel	3,552	3,048	2,671	3,243	2,599	2,113	1,730	1,966
Primary nonferrous metals	1,349	1,416	1,433	1,685	992	978	914	1,004
Electrical machinery & equipment	2,445	3,064	3,668	4,918	1,796	2,117	2,359	2,957
Nonelectrical machinery	4,442	4,747	5,445	8,400	3,250	3,312	3,533	5,048
Motor vehicles & equipment	1,701	3,321	4,508	5,335	1,254	2,310	2,942	3,206
Other transportation equipment	1,136	1,361	2,051	2,908	833	947	1,312	1,712
Stone, clay & glass	1,117	1,275	1,944	2,407	826	888	1,258	1,465
Fabricated metals	894	935	1,237	1,614	655	651	804	979
Instruments & photo equipment	1,145	1,213	1,517	2,389	839	837	945	1,441
Other durable goods†	1,265	1,740	1,940	2,331	930	1,210	1,202	1,351
NONDURABLE GOODS	28,009	30,378	31,942	37,896	20,344	20,795	20,440	22,188
Food & beverages	3,666	3,882	4,217	5,037	2,685	2,685	2,727	2,989
Textiles	605	775	837	763	446	538	542	457
Paper & allied products	2,073	1,825	2,140	3,018	1,536	1,271	1,376	1,833
Chemicals & allied products	7,486	7,545	7,797	9,309	5,499	5,198	5,031	5,511
Petroleum & coal products	12,551	14,350	14,495	16,876	8,977	9,714	9,176	9,673
Rubber products	555	752	909	963	412	522	595	586
Other nondurable goods†	1,073	1,249	1,547	1,930	789	865	993	1,140

Each annual figure is the sum of not-seasonally-adjusted quarterly figures, and may not equal the sum of seasonally adjusted quarterly figures.

GENERAL NOTES

Data for 1980-I are revised; data for 1980-II are preliminary.

As a result of the annual updating of seasonal adjustment factors, all data beginning 1979-I have been revised to incorporate new seasonal factors.

All estimates are based on a survey and are for the survey population, which is composed of the 1,000 largest manufacturing companies as ranked by total assets. These companies accounted for 77% of all manufacturing corporations' assets in 1973.

Historical data from 1953 available on request from the Business Conditions Analysis Department: (1) quarterly series seasonally adjusted; (2) quarterly series not seasonally adjusted; (3) annual series.

†Other durables includes lumber, furniture and fixtures, and miscellaneous manufactures; other nondurables includes tobacco, apparel, printing and publishing, and leather.

The Conference Board
Quarterly Survey of Capital Investment
and Supply Conditions in Manufacturing

July 1980

Pressures on manufacturing capacity continued to ease between April and July, according to the latest Quarterly Survey of Capital Investment and Supply Conditions. Responses from the 1,000 largest manufacturers showed excess capacity up, the number of items on allocation down, and external supply shortages virtually nonexistent.

The percentage of companies (weighted by assets) viewing their capital facilities as "more than adequate" increased from 22% in April to 31% in July (Table 1). The most pronounced shifts into the "excess" category were in steel, nonferrous metals, motor vehicles, textiles, chemicals, rubber, and lumber. At 31%, the July "excess" figure was at its highest level since January 1976. The industries with the highest July figures were steel (92%), motor vehicles (85%), and rubber (54%). Among the companies with excess capacity, 84% reported their underutilization at 10% or more; in April, this figure was 74%. The most severe underutilization is in the steel industry. July reports of "inadequate" capacity were numerous in only two industries—nonelectrical machinery (65% of companies, weighted by assets) and nonautomotive transportation equipment (46%).

There was a sharp drop from April in the number of products that companies have put on allocation to their customers. Only the paper and petroleum industries still have any significant numbers of items on allocation, and the figure dropped from April in both industries. In petroleum, a good deal of the allocation is a direct result of government rules. Among the few items added to the allocation list in July were cotton-polyester fabric, seamless steel tube, and fire engines.

There was a slight increase in July in the overall percentage of companies (weighted by assets) whose investment programs will result in capacity expansion (Table 2). This reflected noticeable shifts toward "expansion" in textiles, paper, and rubber; the only notable shift toward "reduction" was in electrical equipment manufacturing.

In April, 31% of the companies reported that external capital funds were less available than three months earlier. This assessment shifted dramatically in July, when 27% reported easier funds availability and only 4% reported it tighter (Table 5). The latter group consisted mainly of companies in the steel, motor vehicle, and food industries.

TABLE 1. ADEQUACY OF CAPITAL FACILITIES

Percent Distribution of Responding Companies Weighted by Assets

	Apr. 1978	July 1978	Oct. 1978	Jan. 1979	Apr. 1979	July 1979	Oct. 1979	Jan. 1980	Apr. 1980	July 1980
					Inadequate					
All Manufacturing	19.6	19.5	18.4	19.2	21.3	20.4	16.1	14.2	13.7	12.4
Durable goods	29.5	30.7	30.4	30.7	29.8	25.0	17.0	16.4	17.9	15.9
Nondurable goods	7.5	7.5	6.7	8.3	13.4	15.6	15.0	12.1	9.7	9.0
					Sufficient					
All Manufacturing	62.2	62.4	64.3	67.6	65.9	68.4	64.0	69.1	64.6	56.3
Durable goods	53.8	56.8	56.6	61.8	64.0	63.4	59.8	60.8	53.8	46.2
Nondurable goods	72.3	68.4	71.8	73.1	67.7	73.7	68.9	77.0	74.9	66.3
					More Than Adequate					
All Manufacturing	18.2	18.1	17.2	13.2	12.8	11.1	19.9	16.7	21.7	31.2
Durable goods	16.7	12.5	12.9	7.5	6.2	11.5	23.2	22.8	28.3	37.8
Nondurable goods	20.1	24.1	21.4	18.6	18.9	10.7	16.1	10.9	15.4	24.7

TABLE 2. CHANGE IN CAPITAL FACILITIES EXPECTED FROM CURRENT SPENDING PROGRAMS

Percent Distribution of Responding Companies Weighted by Assets

	Apr. 1978	July 1978	Oct. 1978	Jan. 1979	Apr. 1979	July 1979	Oct. 1979	Jan. 1980	Apr. 1980	July 1980
					Expansion					
All Manufacturing	72.8	71.5	72.8	78.0	76.2	79.2	78.4	75.7	75.6	77.3
Durable goods	76.4	74.0	76.3	78.9	79.1	78.1	77.4	75.9	76.0	73.3
Nondurable goods	68.6	68.7	69.3	77.1	73.2	80.3	79.5	75.6	75.3	81.3
					No Change					
All Manufacturing	26.9	28.5	26.7	21.3	21.4	16.9	21.3	21.5	23.2	21.6
Durable goods	23.3	26.0	23.6	21.1	16.6	14.4	22.4	19.8	23.6	25.0
Nondurable goods	31.4	31.3	29.7	21.5	26.5	19.4	19.9	23.2	22.9	18.3
					Reduction					
All Manufacturing	0.2	0.0	0.5	0.7	2.3	3.9	0.3	2.7	1.2	1.1
Durable goods	0.4	0.0	0.0	0.1	4.3	7.5	0.2	4.3	0.4	1.7
Nondurable goods	0.0	0.0	0.9	1.4	0.3	0.3	0.6	1.2	1.9	0.4

TABLE 3. EXTERNAL SUPPLY SHORTAGES

Percent of Companies (weighted by assets) Reporting Lowered Production Because of Shortages

	Apr. 1978	July 1978	Oct. 1978	Jan. 1979	Apr. 1979	July 1979	Oct. 1979	Jan. 1980	Apr. 1980	July 1980
					Raw Materials					
All Manufacturing	2.9	0.7	0.5	3.1	11.1	11.1	7.0	9.7	4.5	3.7
Durable goods	1.0	0.8	0.3	0.2	0.7	1.4	0.4	0.9	0.2	0.6
Nondurable goods	5.3	0.6	0.7	5.9	20.9	21.2	14.8	18.3	8.7	6.7
					Processed Goods					
All Manufacturing	0.3	0.2	0.6	0.5	0.2	0.3	1.4	1.3	1.5	0.2
Durable goods	0.5	0.2	0.0	1.1	0.4	0.6	2.4	1.7	2.9	0.3
Nondurable goods	0.1	0.1	1.1	0.0	0.0	0.0	0.2	1.0	0.1	0.0
					Both					
All Manufacturing	0.1	0.3	0.2	0.7	2.8	5.4	3.1	3.0	4.2	1.5
Durable goods	0.1	0.4	0.3	0.2	0.2	0.4	0.1	1.8	1.2	1.8
Nondurable goods	0.0	0.1	0.2	1.2	5.2	10.8	6.6	4.2	7.1	1.2

TABLE 4. ANTICIPATED SOURCES OF FUNDS FOR CAPITAL EXPENDITURES

Percent Distribution of Responding Companies Weighted by Assets

	1977		1978		1979		1980		1981
	First Half	Second Half	First Half	Second Half	First Half	Second Half	First Half	Second Half (r)	First Half (p)
From Internal Sources									
All Manufacturing	88.5	88.5	85.0	88.7	89.2	88.6	83.7	82.4	82.0
Durable goods	88.1	89.1	89.8	91.1	89.7	87.9	77.8	80.6	80.7
Nondurable goods	89.0	87.9	79.1	86.0	88.6	89.5	89.2	84.3	83.4
From External Sources									
All Manufacturing	11.5	11.5	15.0	11.3	10.8	11.4	16.3	17.6	18.0
Durable goods	11.9	10.9	10.2	8.9	10.3	12.1	22.2	19.4	19.3
Nondurable goods	11.0	12.1	20.9	14.0	11.4	10.5	10.8	15.7	16.6

TABLE 5. AVAILABILITY OF EXTERNAL CAPITAL FUNDS COMPARED WITH THREE MONTHS EARLIER

Percent Distribution of Responding Companies

	Apr. 1978	July 1978	Oct. 1978	Jan. 1979	Apr. 1979	July 1979	Oct. 1979	Jan. 1980	Apr. 1980	July 1980
Easier										
All Manufacturing	5.7	3.4	4.3	3.1	4.1	4.4	2.2	4.5	1.3	26.9
Durable goods	6.8	4.8	4.7	3.5	5.2	5.5	2.1	3.0	1.0	26.6
Nondurable goods	4.6	1.7	3.8	2.7	2.8	3.3	2.2	6.0	1.6	27.1
Same										
All Manufacturing	89.3	95.3	82.2	83.5	89.2	89.6	74.2	84.0	67.3	68.9
Durable goods	87.0	83.7	82.9	82.2	88.0	88.5	75.0	85.3	68.2	69.7
Nondurable goods	92.0	87.2	81.3	84.9	90.4	90.8	73.4	82.6	66.3	68.1
Tighter										
All Manufacturing	4.9	11.4	13.5	13.4	6.8	6.0	23.7	11.5	31.4	4.3
Durable goods	6.3	11.5	12.3	14.4	6.8	6.0	22.9	11.7	30.8	3.7
Nondurable goods	3.4	11.2	14.8	12.4	6.7	6.0	24.5	11.4	32.1	4.8